



Seattle Retirement

Seattle City Employees' Retirement System

Environmental, Social & Governance (ESG) Semi-Annual Update

September 10, 2026

Leola Ross, Deputy Chief Investment Officer & Head of ESG

Environmental, Social & Governance (ESG) at SCERS

SCERS benefits from an **Environment that is sustainable**, a **Society that is well-functioning** and **Governance systems that are sound**.

SCERS integrates ESG risks and opportunities into its investment process to ensure that any **financially material** impact on risk and return is considered.

SCERS has pursued an ESG positive action strategy, prioritizing **climate change** since 2015 and **diversity, equity and inclusion (DEI)** since 2022.

ESG Process Integration

Climate Positive Action Strategy

Company
Voting and Engaging

Policy Advocacy

Sustainability Investments

Diversity, Equity & Inclusion (DEI) Positive Action Strategy

Company
Voting and Engaging

Manager Research

Investor Organizations and Initiatives

SCERS is an active member of several investor organizations that provide shared resources and collaboration opportunities on ESG matters

Climate-Focused



DEI-Focused



Governance-Focused



ESG Integration-Focused



The complexity of climate change

Background

SCERS believes that climate change poses a systemic risk to the investment portfolio due to its profound and pervasive impact on the real economy.

Climate change also introduces heightened uncertainty to the capital markets depending on how it is addressed by policymakers, companies, investors, individuals, and other stakeholders.

SCERS supports decarbonizing the real economy to safeguard its investment portfolio from the impact of climate change.

Climate Risk

*Will society take the steps necessary to mitigate climate change
(and at what pace will those steps be taken)?*

If society does not
mitigate climate change
or does so slowly



Physical Risk

Financial risk resulting from an increase in the severity and frequency of extreme weather events and sustained changes in weather patterns

Expected to damage infrastructure and other physical assets

May reduce the earnings of, for example:

- Real estate, physical structures
- Agriculture, consumer goods
- Financials (insurance, banking)

If society
effectively mitigates
climate change



Transition Risk

Financial risk resulting from society effectively decarbonizing via policy-making and other climate mitigating efforts

Expected to reduce demand or increase cost for carbon-intensive activities

May reduce the earnings of, for example:

- Fossil fuel producers (oil, gas)
- Carbon emitters (e.g. airlines, utilities, agriculture/livestock)
- Fossil fuel adjacent (e.g. midstream)

Note: From April 2022 Investment Committee ESG Policy discussion

Climate Scenario Analysis

SCERS considers climate risk when setting the strategic asset allocation

- NEPC performs a climate scenario analysis
- Climate change is expected to have a profound and pervasive financial impact across capital markets
- SCERS's portfolio is expected to perform poorly over the long-term if climate change is unaddressed due to high realized physical risk



DYSTOPIAN	Industrialized nations reverse current policies to mitigate greenhouse gas emissions
INDIFFERENCE	Current policies remain and no future commitments to reduce greenhouse gas emissions are enacted
ASPIRATIONAL	Policy pledges of industrialized nations are implemented to lower greenhouse gas emissions (e.g., Paris Accords)
INNOVATION	Revolutionary technology changes across industries reduce greenhouse gas emissions to 20th century levels

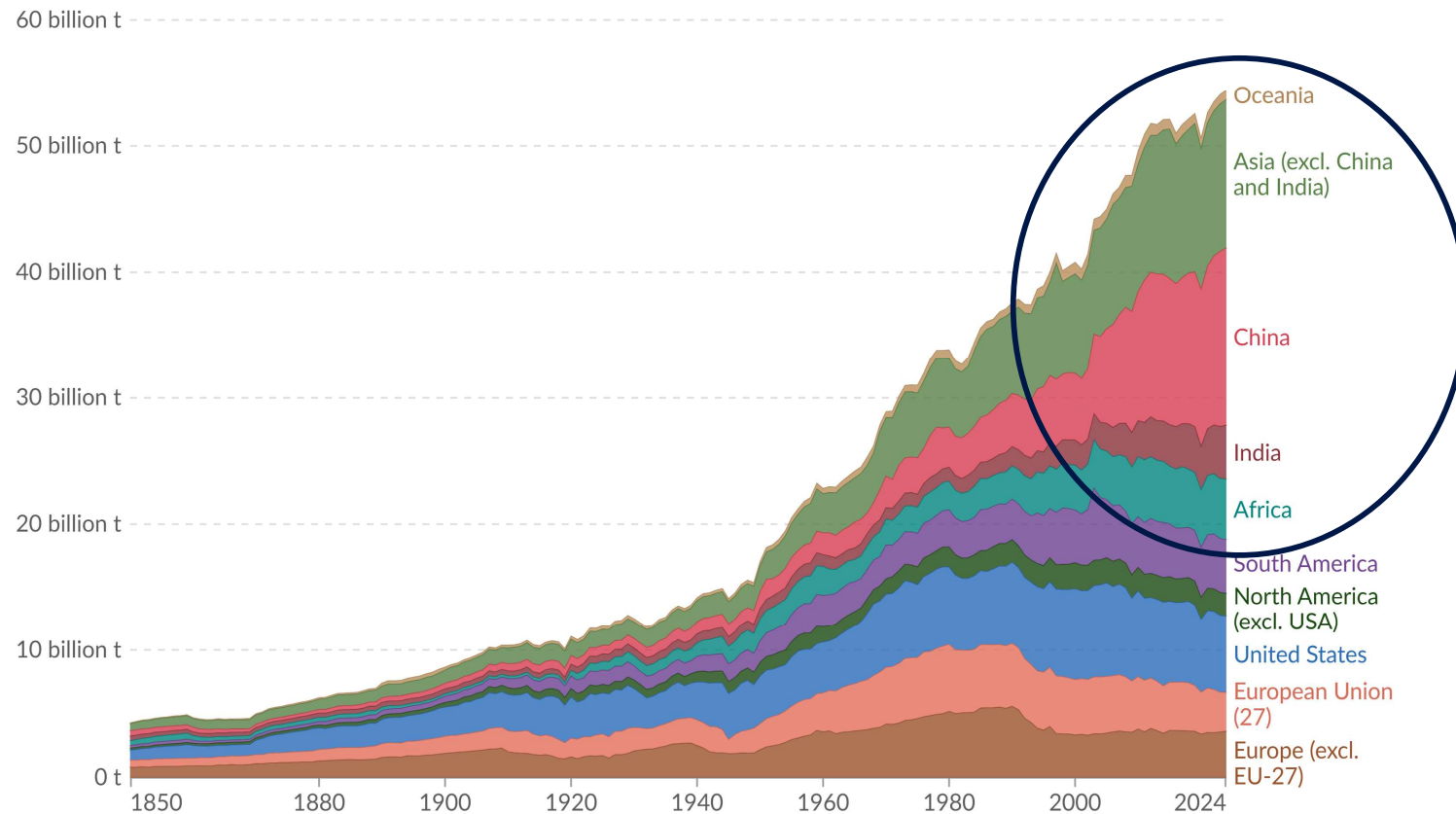
Note: Graphics from NEPC's Asset-Liability Study presentation at the August 2023 Investment Committee meeting

Greenhouse Gas (GHG) Emissions by region

Annual greenhouse gas emissions by world region 1850 to 2024

Our World
in Data

Greenhouse gas emissions¹ include carbon dioxide, methane and nitrous oxide from all sources, including land-use change². They are measured in tonnes of carbon dioxide-equivalents³ over a 100-year timescale.



Data source: Jones et al. (2025)

OurWorldinData.org/co2-and-greenhouse-gas-emissions | CC BY

“Data Page: Annual greenhouse gas emissions including land use”, part of the following publication: Hannah Ritchie, Pablo Rosado, and Max Roser (2023) - “CO₂ and Greenhouse Gas Emissions”. Data adapted from Jones et al.. Retrieved from <https://archive.ourworldindata.org/20260812-122342/grapher/ghg-emissions-by-world-region.html> [online resource] (archived on August 12, 2026)

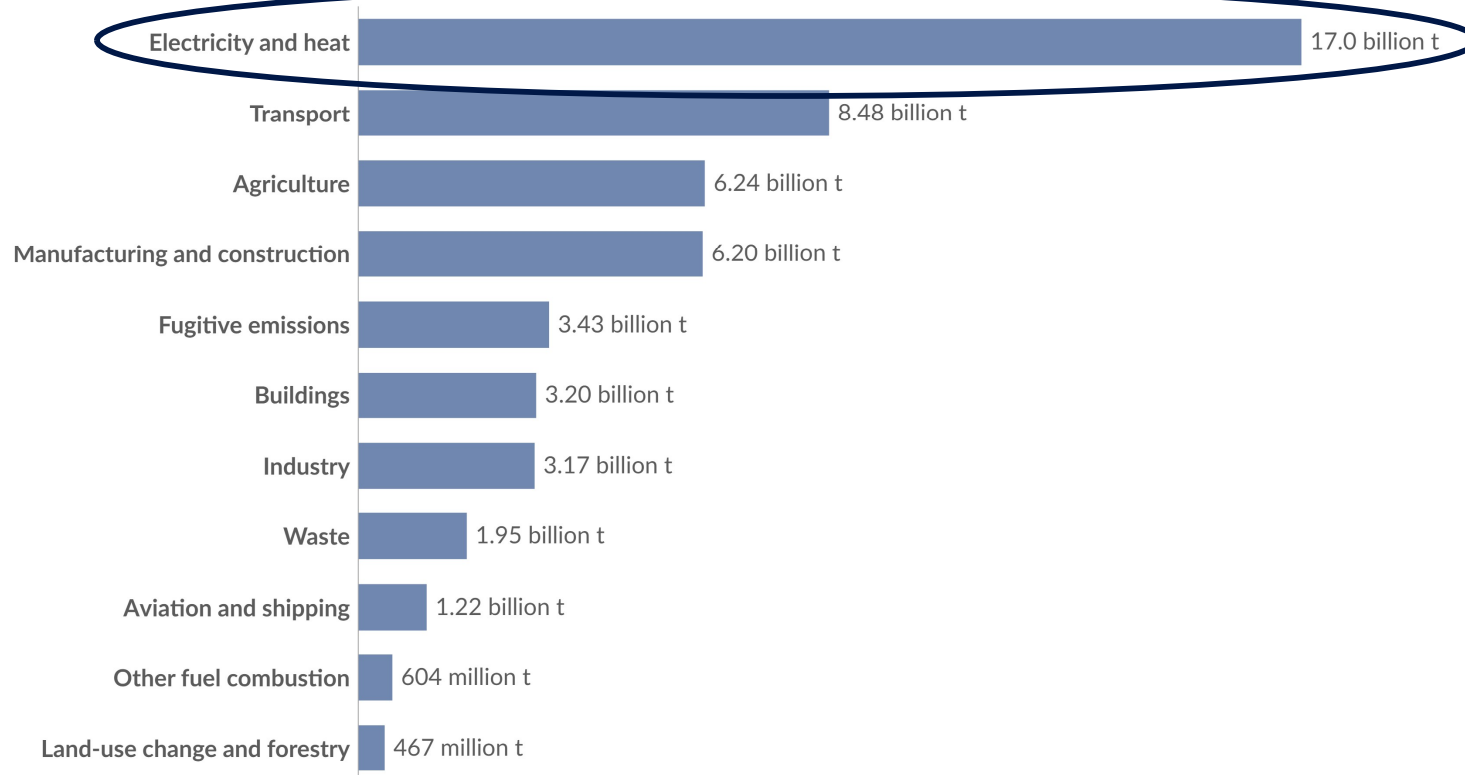
Greenhouse gas emissions are measured in tons of carbon dioxide-equivalents over a 100-year timescale.

Greenhouse Gas (GHG) Emissions by sector

Greenhouse gas emissions by sector World, 2023

Our World
in Data

Greenhouse gas emissions¹ are measured in tonnes of carbon dioxide-equivalents² over a 100-year timescale.



Data source: Climate Watch (2026)

OurWorldinData.org/co2-and-greenhouse-gas-emissions | CC BY

Note: Land-use change emissions can be negative.

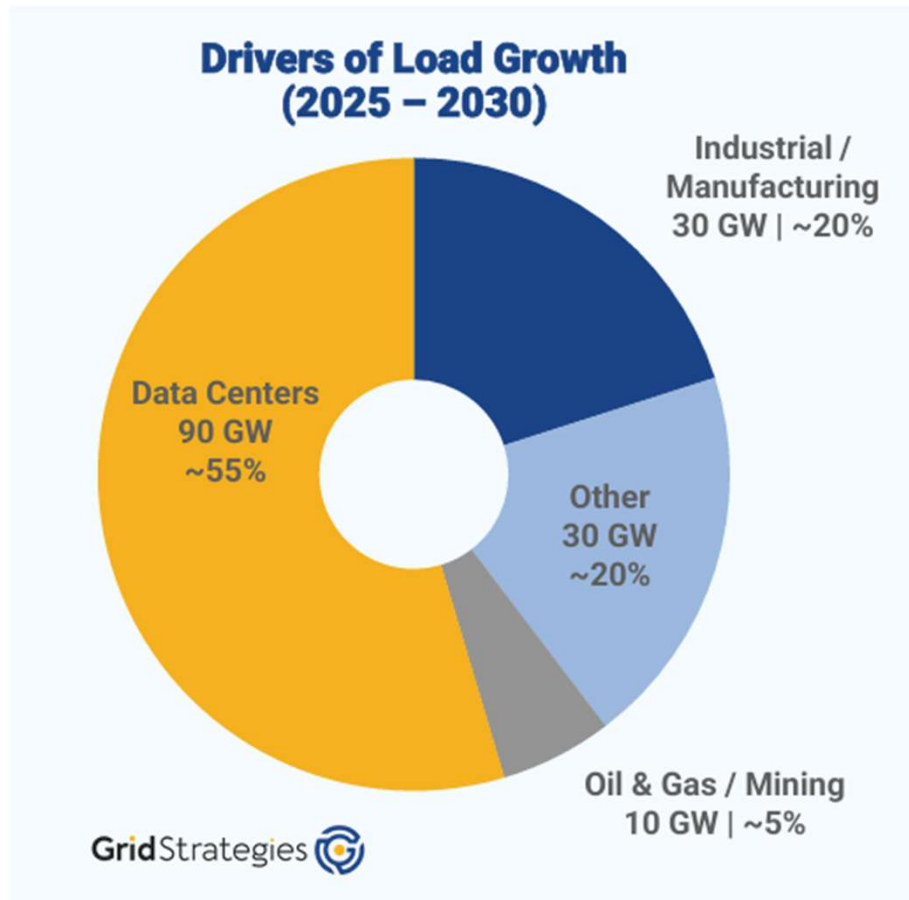
Source: Our world in Data

<https://ourworldindata.org/grapher/ghg-emissions-by-sector>

1. Greenhouse gas emissions include carbon dioxide, methane and nitrous oxide from all sources, including land-use change. They are measured in tonnes of carbon dioxide-equivalents over a 100-year timescale.
2. Carbon dioxide equivalent, written as CO₂e or CO₂eq, is a single unit of measurement that expresses the climate impact of any greenhouse gas in terms of the amount of CO₂ that would create the same warming effect.

Focus on electricity usage, US and globally

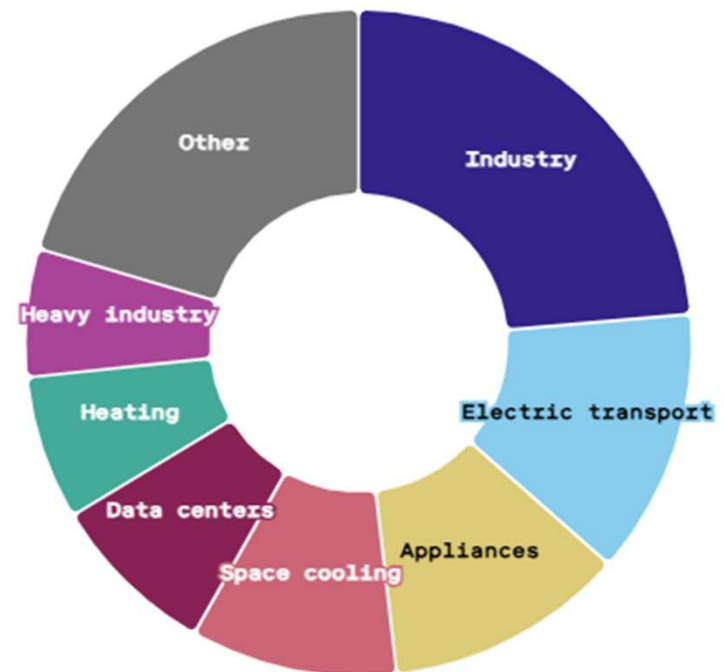
US Electricity outlook



Source: Grid Strategies, LLC
<https://gridstrategiesllc.com/wp-content/uploads/Grid-Strategies-National-Load-Growth-Report-2025.pdf>

Global Electricity outlook

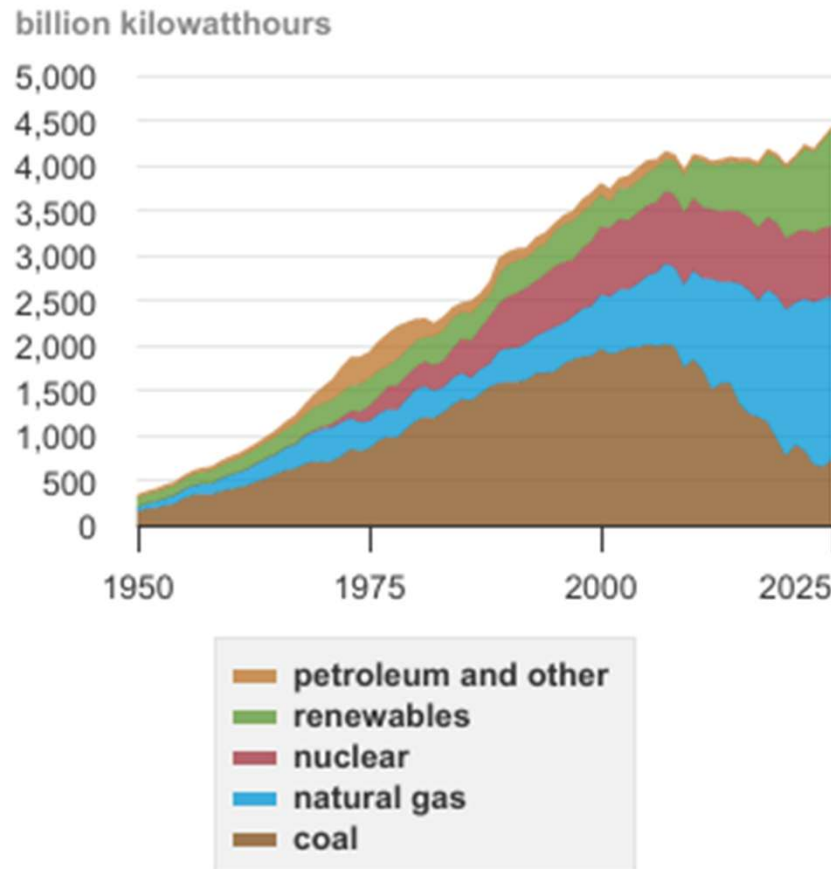
Increase in electricity demand by sector, 2024-2030



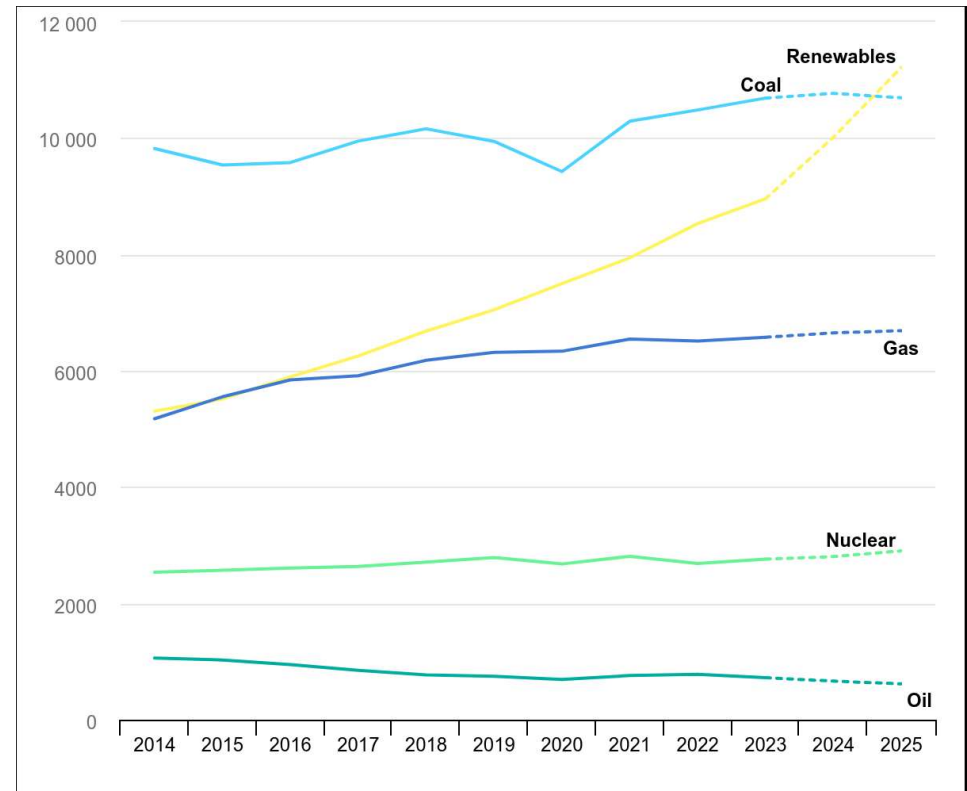
Source: <https://www.iea.org/data-and-statistics/charts/spatial-concentration-of-various-facilities-versus-proximity-to-urban-areas-2024>,
Charts by Casey Crownhart, MIT Technology Review, April 17, 2025.
<https://www.technologyreview.com/2025/04/17/1115320/four-charts-ai-energy/>

Renewables are growing rapidly in US and globally

U.S. electricity generation by major energy source, 1950-2025



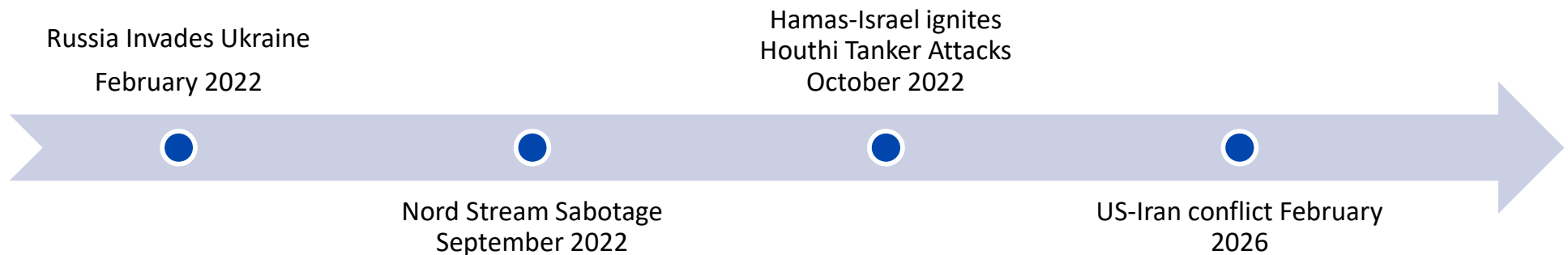
Global electricity generation by major energy source, 2014-2024



Source: U.S. Energy Information Administration, Monthly Energy Review, March 2026, and Electric Power Monthly, January 2026,
<https://www.eia.gov/energyexplained/electricity/electricity-in-the-us-generation-capacity-and-sales.php>

Source: International Energy Authority
<https://www.iea.org/data-and-statistics/charts/global-electricity-generation-by-source-2014-2025>

Fossil energy disruptions and future GHG emissions



European Commission shifts policy establishing five pillars in April 2026¹, including:

- Regional coordination
- Reducing oil/gas in favor of renewables (manufacturing and implementation)
- Grid optimization and electrification

China reduces oil use, increases transportation, and builds wind/solar for the world

- Reduced oil 9% from Q1 to Q2 2026
- Next five-year plan to include grid optimization
- GHG emissions dropped 1% YTD for 2026 in an historic first
- Wind/solar manufacturing continues to dominate

Japan, Korea and Southeast Asia

- Japan and Korea expanding renewables, nuclear, diversifying supply chains
- SE Asia investing 2.5x in renewable v. fossil fuel electricity

1. https://energy.ec.europa.eu/strategy/accelerateeu-strengthen-eu-energy-resilience_en

2. <https://www.carbonbrief.org/analysis-chinas-co2-climbs-2-in-early-2026-due-to-wasted-wind-and-solar>, <https://www.carbonbrief.org/analysis-chinas-co2-emissions-fall-in-q2-2026-due-to-plummeting-oil-use>

3. <https://www.nytimes.com/2026/05/05/business/china-wind-turbines.html>

4. <https://www.iea.org/reports/world-energy-investment-2026/regional-dashboards?region=United+States>

Climate Positive Action Strategy

Climate Positive Action Strategy

SCERS established a Climate positive action strategy in 2016 that consists of company voting and engaging, policy advocacy and sustainability investments

	Company Voting and Engaging	Policy Advocacy	Sustainability Investments
Why it matters?	Companies can play a meaningful role in decarbonizing the real economy through their investment decisions, business operations, political advocacy, and other activities.	Governments are critical to decarbonizing the real economy through setting constructive regulations, developing incentives for companies and individuals to reduce emissions, and investing in promising technology and essential infrastructure.	Investments targeting energy-transition related technology, infrastructure and efficiency are needed to decarbonize the real economy. By allocating new capital to these opportunities, investors may achieve performance goals while advancing decarbonization.
What SCERS wants to achieve?	• Board Directors with climate expertise to incent and align management with decarbonization • Companies making net zero commitments and taking actions to meet those commitments • Companies investing in the emerging technologies needed for decarbonization • Companies disclosing lobbying activities related to climate policies	• Policies that incentivize decarbonization, such as carbon pricing • Policies that stop subsidizing carbon-intensive industries • Policies that support technology and infrastructure • Market regulations that promote climate-related disclosure and planning	• Investment managers who have experience and capabilities in evaluating and implementing sustainability investments • Investment products that have a broad opportunity set and the potential for a material allocation to sustainability investments

Climate Investor Organizations and Initiatives

	Primary Focus	Mission	Membership
	Company Voting and Engaging, Policy Advocacy	Ceres is a nonprofit advocacy organization working to accelerate the transition to a cleaner, more just, and resilient world.	Institutional investors and managers, corporations, small and mid-sized enterprises
	Company Engaging	Climate Action 100+ has established a common high-level agenda for company engagement to achieve clear commitments to cut emissions, improve governance and strengthen both climate-related financial disclosures and transition plans, in order to create long-term shareholder value.	Institutional investors, asset managers, engagement service providers
	Company Engaging	Climate Engagement Canada is a finance-led initiative that drives dialogue between finance and industry to promote a just transition to a net zero economy.	Institutional investors and managers, corporations, engagement service providers

Policy Developments

Securities and Exchange Commission (SEC): Climate Disclosure Rule Recission

- In March 2024, after years of collecting input and considering disclosure requirements around the globe, the SEC adopted Climate Risk Disclosures¹
- In 2026, the SEC has proposed rescission of climate disclosure rules², arguing that such disclosures exceed its authority relating to securities law
- SCERS sent the SEC a letter in support of the disclosures

State activities: California Air Resources Board (CARB)

- Seeks to protect the public from the harmful effects of air pollution and fight climate change.
- California is about 14% of US GDP, therefore updated standard in California may impact the US at large. E.g. Washington State has adopted California standards in the past
- Disclosures of Scope 1 and Scope 2 emissions to begin November 10, 2026. CARB has worked through multiple legal battles to require disclosure
- By May 2026, 154 companies were voluntarily reporting
- SCERS is monitoring developments

1. <https://www.sec.gov/newsroom/speeches-statements/gensler-statement-mandatory-climate-risk-disclosures-030624>

2. <https://www.sec.gov/newsroom/press-releases/2026-49-sec-proposes-rescission-climate-related-disclosure-rules>

3. <https://ww2.arb.ca.gov/>

Sustainability Investments Activity

SCERS's investment managers make new investments in energy-transition related technology, infrastructure and efficiency:

- **Global Infrastructure Partners Fund V** co-led a consortium to acquire AES. AES is a clean energy platform across the Americas, supplying clean energy to corporations “behind-the-meter.” Specifically, AES has 11.8 GW of “signed agreements” supplying power to technology firms.¹ Behind-the-meter energy does not impact residential power provision.
- **Brookfield Infrastructure Fund V** holds a North American data center business, Compass. Compass has beta-tested and piloted a water misting system at its Phoenix campus. This system “lowers micro-climate temperatures around HVAC units, reducing ambient intake temperatures by 15°F to 20°F.” Ultimately, the misting improves energy efficiency and should improve Power Usage Effectiveness (PUE). In addition to energy performance gains, the misting system reduced thermal strain on mechanical and electrical systems, extending the overall life cycle of critical infrastructure at the campus.²

¹ <https://www.global-infra.com/news/consortium-led-by-global-infrastructure-partners-and-eqt-agrees-to-acquire-aes/>

² <https://brookfield.egnyte.com/dl/YRw7YTW39GXX>

SCERS Activity & Industry Developments

SCERS Activity

Industry Conferences

- Leola Ross attended the Council of Institutional Investors conference in March 2026 (also noted in March)
- Leola Ross and Maria Coe attended Infraday Pacific NW in August 2026
- Mengfei Cao attended the Woman's Private Credit Summit in June 2026

Investor Organizations & Initiatives

- Leola Ross continue serving the Council of Institutional Investors Proxy Voter Group, is co-Chair of Shareholder Advocacy Committee and serves on the PRI Infrastructure Advisory Committee
- Leola Ross continues engaging on climate-related topics with multiple corporations, including Southern Company, Exxon, Boeing, and Paccar. Leola attended the Paccar AGM in April 2026

Internal Projects

- Staff responded to the Principles for Responsible Investing 2026 Survey (reflecting on 2025)

Policy Advocacy

- SCERS supported CII's advocacy for US House of Representatives bill that improves disclosure of multi-share vote outcomes in July 2026¹
- Staff sent a letter to the SEC in support of Climate Disclosure in July 2026²

1. <https://casten.house.gov/media/press-releases/casten-introduces-bill-to-increase-transparency-for-proxy-voting-support-shareholder-rights>

2. <https://www.sec.gov/comments/S7-2026-19/s7202619-978960-3061067.pdf>

Industry developments

U.S. federal policies continue to challenge investors actions and information

- **Securities and Exchange Commission (SEC)** has proposed repealing Rule 14a-8, which establishes the SEC as the arbiter of shareholder proposals¹
- **SEC** has subpoenaed ISS seeking confidential client voting data on July 21, 2026, followed by enforcement action September 4, 2026²
- **Equal Employment Opportunity Commission (EEOC)** issues a proposed rule that would end the EEO-1 reporting requirement³
- **Department of Labor (DOL)** recommends changing the ESG Fiduciary Rule to disallow fiduciaries from considering ESG for ERISA retirement accounts.⁴ SCERS is not governed by ERISA.

State activities

- **Illinois Sustainable Investing Act** seeks to protect organization from being prosecuted for violating “overreaching” Proxy Advisor laws passed in other states⁵

1. <https://www.reginfo.gov/public/do/eAgendaViewRule?pubId=202510&RIN=3235-AN47>

2. <https://www.sec.gov/enforcement-litigation/litigation-releases/lr-26632>

3. <https://www.eeoc.gov/newsroom/eeoc-proposes-rescission-annual-race-and-sex-reporting-requirements>

4. ERISA = Employment Retirement Income Security Act of 1974. <https://news.ballotpedia.org/2026/07/18/labor-department-submits-revised-esg-rule-to-white-house-2/>

5. <https://legiscan.com/IL/text/HB0959/2025>

Appendix

DEI Positive Action Strategy

SCERS established a DEI positive action strategy in 2022 that consists of company voting and engaging, and manager research. Diversity, equity, and inclusion may lead to better decision-making and contribute to improved company and investment manager performance.

	Company Voting and Engaging	Manager Research
Why it matters?	Companies are both primary beneficiaries of a diverse workforce and gatekeepers for hiring, training, enriching, and promoting that workforce.	SCERS manages its portfolio through investment managers that are responsible for investing a portion of SCERS's assets on its behalf. Greater diversity within SCERS-invested managers is expected to improve decision-making and therefore investment performance.
What SCERS wants to achieve?	• Board Directors with diverse backgrounds and skills to provide improved oversight • Companies hiring and promoting with gender and racial diversity in mind • Companies disclosing gender and racial diversity annually	• Managers who are transparent and take action to improve the diversity of their workforce, particularly of their investment professionals • An investment consultant who identifies high-quality managers with diverse teams • An investment industry that is more representative of society

Fossil Fuel Company Allocation (updated)

SCERS Public Equity Allocation to Fossil Fuel Companies

As of December 31, 2025

SCERS Ownership	Account Type	Exposure (\$ million)	% of SCERS Total Portfolio
Direct	Separate Account	\$24.3	0.5%
Indirect	Commingled Fund	\$25.5	0.5%
Total		\$49.9	1.0%

Source: MSCI Total Plan Manager; excludes overlay program.

Note: Companies with sub-industry of Oil & Gas Exploration & Production, Integrated Oil & Gas, Coal & Consumable Fuels
Includes data correction from April 9, 2026 presentation